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Philippines

Grain and Feed

RP to Import Thai Rice for Delays in Sugar Tariff Reduction

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Report Highlights:

The Philippines announced plans to import 200,000 metric tons of rice from Thailand in exchange for delays in tariff reduction on sugar imports under the ASEAN Free Trade Agreement-Common Effective Preferential Tariff Program (AFTA-CEPT). Under the AFTA-CEPT, sugar tariffs are to be lowered from 65 to 5 percent, effective January 1, 2003.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Manila [RP1], RP

The Philippines has announced the importation of a minimum of 200,000 metric tons of rice annually from Thailand for the next three years in exchange for its support for Philippine plans to maintain high tariff rates on sugar. President Gloria Macapagal Arroyo has ordered the Department of Agriculture (DA) and the Department of Trade and Industry (DTI) to implement the deal with Thailand representing roughly 20 percent of the country's rice import needs for next year, projected at one million metric tons.

The rice import deal is meant to compensate Thailand from potential trade losses from the Philippine decision to move sugar onto DA's list of sensitive agricultural products for AFTA (Asean Free Trade Agreement) and to defer the reduction of the duty on sugar from the current range of 50 to 65 percent to 5 percent. Under the AFTA-CEPT (Common Effective Preferential Tariff) program, Thai traders would have been allowed to export sugar to the Philippines at 5 percent duty.

The Philippines is likewise soliciting Thailand's support for its WTO petition to raise the maximum bound rate from the current 65 percent to 80 percent. Currently, the Philippines assesses an in-quota rate of 50 percent on sugar brought in under the Minimum Access Volume (MAV) program and an out-of-quota rate of 65 percent for all sugar outside of the MAV. Under the Uruguay Round, the Philippines had committed to reduce sugar duties to a uniform 50 percent for both in-quota and out-of-quota (bound) rates beginning July 1, 2003.

The Philippines also reportedly agreed to import one-third of its entire MAV sugar allocation from Thailand and to give Thai sugar imported outside of the MAV system, an applied tariff rate of 40 percent. The MAV allocation for 2003 stands at 59,780 metric tons.

The deal is expected to give Thailand, which will still be allowed to bid for more contracts on top of its yearly 200,000-metric ton allotment, an advantage over the country's other rice suppliers – India, China and Vietnam.